







**Consolidated statement of earnings (unaudited)**

	1975	1974
	\$	\$
Sales	4,902,195	4,606,190
Cost of Sales	3,784,485	3,717,562
Gross Profit	1,117,710	888,628
Expenses	869,395	632,616
Earnings before tax	248,315	256,012
Provision for income taxes	109,259	112,645
Net earnings for the period	139,056	143,367
Net earnings per share	15¢	15¢

**Consolidated statement of financial position (unaudited)**

	1975	1974
	\$	\$
<b>Source of working capital</b>		
Net Earnings for the period	139,057	143,367
Item not affecting working capital —		
Depreciation	181,773	126,069
Provided from operations	322,830	269,436
<b>Use of working capital</b>		
Fixed assets	168,912	120,608
Dividend	114,000	95,000
Bank loan	50,000	50,000
7½ % mortgage instalments	1,248	1,248
	334,160	266,856
Increase (Decrease) in Working Capital	(13,330)	2,580

**To the Shareholders**

Stabilization of costs has resulted in steady improvement in gross margin but the gains have been offset by increased expenses. Marketing and promotional expenses are substantially higher and the effects of retail incentives continue as reported in the first quarter. The inevitable adjustment is now occurring. This adjustment will reduce earnings for the year and they may be expected to fall below the 1974 highs. Such is the price paid to maintain sales, hence production, through the difficult winter now past.

However order backlog has now lengthened to one month and is increasing as compared to recent day

to day operations. C & C 24 will be in production in May and advance sales are heavy. This innovative design may be expected to reinforce the sales success achieved by C & C 33 introduced last fall. With the bottom and middle of the line thus secured, product line attention is turning to the prototype C & C 38, now sailing.

George H. Cuthbertson

President

Port Credit, Ontario

**Wholly owned subsidiaries**

**C&C Yachts Manufacturing Ltd.**

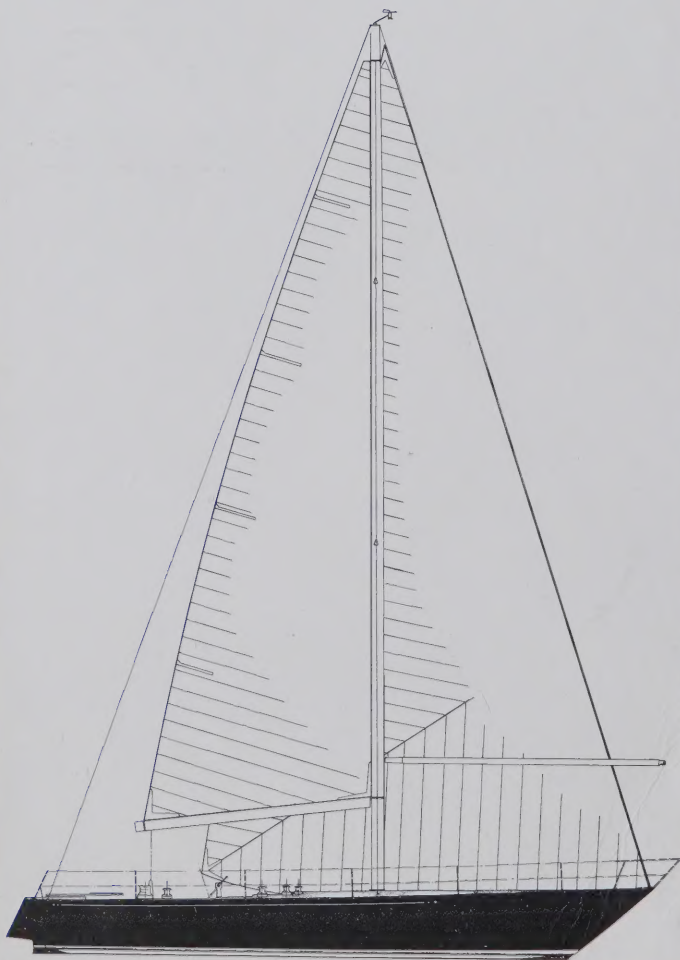
**C&C Yacht Sales Ontario Ltd.**



*See Jan Corp*

**AR19**

**Financial Report for the  
six months ended 31 March, 1975**



**1st quarter**

**2nd quarter**

**MARAUDER — designed and built by C & C for a RCYC  
syndicate to challenge for the 1975 Canada's Cup.**



# C & C Yachts Limited

## 10 Front Street South Port Credit Ontario

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### WHOLLY OWNED SUBSIDIARIES

C & C Yachts Manufacturing Limited  
C & C Yacht Sales Ontario Limited  
C & C Yachts Inc.

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### DIRECTORS & OFFICERS

Taylor, Alan F. B.	Chairman of the Board and Director
Cuthbertson, George H.	President and Director
Bruckmann, Erich K. L.	Vice-President and Director
Edwards, Moray C.	Vice-President and Director
Forsey, J. Robert	Vice-President and Director
Hinterhoeller, George A.	Vice-President and Director
Hyde, Christopher D.	Director
Lewis, Clifford W.	Director
Sale, Robert R.	Director
Brinsmead, Gordon W.	Vice-President
Carter, Michael F. K.	Vice-President and Secretary-Treasurer

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### AUDITORS

Messrs. Coopers & Lybrand  
Chartered Accountants, 145 King St. W., Toronto, Ontario

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### LEGAL COUNSEL

Messrs. Miller, Thomson, Sedgewick, Lewis & Healy  
7 King St. E., Toronto, Ontario

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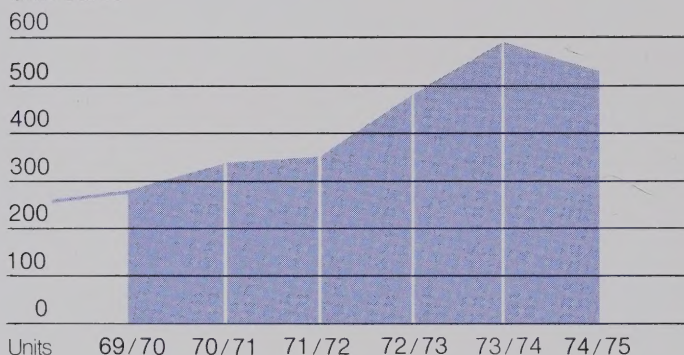
### TRANSFER AGENT & REGISTRAR

Royal Trust Company, Toronto & Montreal

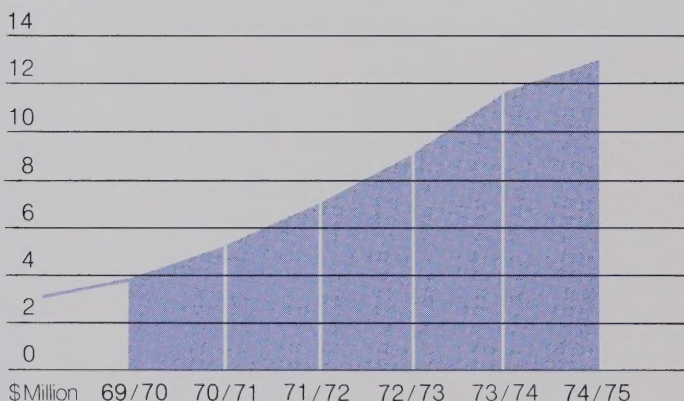
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# Report of the president to the shareholders

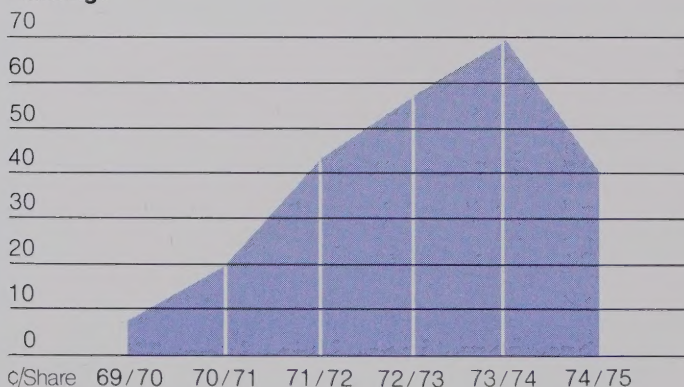
## Unit Sales



## Dollar Sales



## Earnings



## Financial

In September, 1975, The Financial Times said, "In what is still a craft industry, C&C Yachts is something of a giant even though its sales may not exceed \$12 million this year. In the broader scheme of things, it is just another small company struggling through the recession—but doing fairly well at it."

Sales, in fact, reached almost \$13 million. Almost 10% of the total, i.e., most of the gain, was achieved in Europe. The inflationary content in the balance becomes evident when it is noted that North American unit sales were down about 13%.

Gross margin was maintained at about 20% of sales, partly the result of cost stabilization relative year prior, aided by significant margins generated in Europe for the first time.

Available industry data reveals that the recession exacted its toll, and some builders have ceased operations, both in United States and Canada. Although precise information is not available, C&C Yachts appears to have increased its market share.

The price of sales maintenance in this year of recession was paid in the expense items, extra advertising and dealer incentive plans having been greatly increased, hence earnings of 40¢ per share contrast with 69¢ a year ago.

—With production running near capacity for most of the year, the long-felt need for expansion was once more evident. The result was incorporation of C&C Yachts Inc., a wholly owned U.S. subsidiary, which embarked immediately on construction of a 52,000 sq. ft. production facility in Middletown, Rhode Island, scheduled for completion in December, 1975.

—Fundamental in the decision to locate in Rhode Island was the availability of a variety of appropriate labour skills partially the result of closing of the U.S. naval base in Newport. Equally important were considerations of location relative market and suppliers.

—I would be remiss not to comment on the excellent co-operation received from municipal and state authorities.

—To finance Rhode Island construction and to provide a basis for anticipated spending on expansion and improvement in the next few years, we have substantially broadened our financial base;

Rhode Island plant was financed through Rhode Island Port Authority Industrial Revenue Bonds at 8% interest. Issue of mortgage funds of \$1.15 million shortly after year end provides funds for other plant expenditures and enhances working capital.

New lines of credit are being negotiated with our existing Canadian bank and a Rhode Island bank.

—Our year end balance sheet reflects reduction of inventories of raw materials and supplies by almost 25% from that of a year ago. Finished goods were boosted by C&C 61 # 7 which was near completion at year end.



—On October 3, 1975, we sold approximately 50% of the vacant land which we had purchased previously for expansion of our Custom plant. We have retained 12 acres which we consider ample for our future needs. We realized a substantial profit on the land sold which amount however, is not included in this year's financial statements but will result in an extraordinary gain in the first quarter of the new fiscal year.

—A dividend of 12¢ per share was paid.

### **Manufacturing**

Vice-President, Manufacturing, appointed mid year, has assumed overall direction of our three manufacturing operations—Niagara, Rhode Island and Custom (Oakville).

**Niagara Plant**—A year ago C&C 33 was the single new model in our product line. We enter the 1976 fiscal year with two new products, C&C 24 and C&C 38, both having passed through prototype phase, and both fully tooled, hence in full production. Prototype C&C 38 enjoyed a dramatically successful first racing season and is heavily backlogged with dealer orders. C&C 24 is an addition to our product range and is designed as a "starter" boat to appeal to the first-time buyer who historically has bought his first boat elsewhere.

After considerable negotiation with the United Brotherhood of Carpenters and Joiners of America, agreement on a new two-year contract was achieved ensuring continuance of our highly skilled and efficient labour force through July 31, 1977.

This dominant division employing over 200 and occupying almost 100,000 sq. ft. of plant continues to set the standards for the industry in North America and its vitality is evidenced by its ability to react to change in conditions.

**Rhode Island Plant**—Start-up production of C&C 24 began in September in temporary quarters and was undertaken as a state-assisted training program in anticipation of new plant occupancy prior January 1, 1976.

Production of C&C 33 is scheduled to begin in February and planning calls for introduction of a third model by mid summer.

**Custom Plant (Oakville)**—Disappearance of the "big boat" market noted a year ago continued until late in the year. Consequently the facility was utilized with construction of groups of smaller yachts including additional  $\frac{3}{4}$  Ton and a series of twelve  $\frac{1}{2}$  Ton. Custom construction included three yachts sized over 40 ft. and for an Italian owner the seventh C&C Custom 61, which yacht was not delivered until early October, hence its appearance in year end inventory.

Five major orders recently booked have already committed one-third of the year's capacity and are in striking contrast to the absence of large custom yacht business reported a year ago.

### **European Division**

Relocation from England to Hamburg, Germany in January accompanied change in this division's management. The sales year was strikingly successful as buyers were readily identified

for eight of the C&C 46 built by Oy Baltic Yacht Ab in Finland plus a custom 2-Ton and all 10 of the contracted C&C 33 production. Basic dealer network has been established; and with marketability thus confirmed, the Oy Baltic program is to be intensified and planning continues for a C&C production facility.

### **Retail Division**

This varied operation continued to prosper as sales of C&C products into the home market held up well. Targets were substantially exceeded in other areas of activity such as used boat sales, Laser sales, and Boston Whaler distributorship.

Additional customer satisfaction was achieved by the enlarged Service Department of Retail Division.

### **Design Division**

Imaginative, productive and efficient, Design group's contribution was out of proportion to their size as the yachting world took note of excellent racing results achieved by C&C 33, 38,  $\frac{1}{2}$  Ton,  $\frac{3}{4}$  Ton, 2 Ton and, on the Mediterranean, C&C 61.

Continuance of a high level of design activity is ensured by new projects in hand for C&C Yachts production, that of Oy Baltic, and several major custom yachts.

### **Research and Development**

These activities became formalized and co-ordinated this year under a director of research and development, the stated object being to "maintain technological superiority over our competitors and enhance our reputation for quality and innovation". Recently completed projects include the tank testing program undertaken in conjunction with National Research Council and an intensive evaluation of the cosmetic effects of resin, reinforcement and procedural changes. On-going are a variety of projects including studies of foil shapes, low density cores, advanced systems of low volume construction, and research as to the character, size and distribution of our market.

### **Future**

Two years ago my closing remarks expressed concern about materials availability and costs and the responsibilities which therefore fell upon purchasing. One year ago the spotlight had shifted to sales and marketing and herein we have reported the degree of success which we were able to achieve as the year progressed. No single area of concern dominates as we enter this new fiscal year and the challenges ahead are less clearly defined. We believe that the U.S. economic recovery has substantially restored the market and we expect to fully utilize our productive capacity. The Rhode Island plant undertaking appears to have been timely, and, having achieved a measure of stability of costs both in materials and labour, we work toward resumption of the progress interrupted last year.

The interest and support of our shareholders and our employees is gratefully acknowledged.

Submitted by George H. Cuthbertson, President.



**C & C Yachts Limited and subsidiary companies**

**Consolidated balance sheet as at September 30, 1975**

ASSETS	1975	1974
CURRENT ASSETS		
Cash and short term deposits	\$ 40,647	\$ 2,412
Accounts receivable	1,067,247	858,492
Inventories (note 2)	2,593,647	2,613,843
Deposits to suppliers	173,076	186,000
Prepaid expenses	65,598	33,396
	3,940,215	3,694,143
Trust funds for Rhode Island plant construction (note 3)	639,294	—
Fixed assets (notes 3 & 4)	2,811,312	2,107,228
Other assets (notes 3 & 5)	333,807	—
Excess of cost of shares in subsidiary companies over net book value at date of acquisition	2,492,992	2,492,992
	10,217,620	8,294,363

**AUDITORS' REPORT TO THE SHAREHOLDERS**

November 19, 1975

We have examined the consolidated balance sheet of C&C Yachts Limited and subsidiary companies as at September 30, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

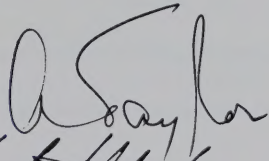
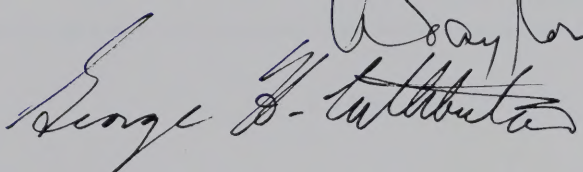
In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1975 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Coopers & Lybrand* Chartered Accountants



LIABILITIES	1975	1974
CURRENT LIABILITIES		
Bank indebtedness (secured) (note 6)	\$ 971,344	\$1,516,989
Accounts payable and accrued liabilities	1,044,326	739,736
Deposits from customers	560,852	130,101
Income taxes payable	123,244	103,488
	2,699,766	2,490,314
Long term debt—Rhode Island Port Authority Bonds (note 3)	1,548,300	—
Other	—	133,320
Deferred income taxes	179,500	144,500
	4,427,566	2,768,134
SHAREHOLDERS EQUITY		
Capital stock—authorized 2,000,000 shares without par value —issued and fully paid—950,000 shares	3,864,770	3,864,770
Retained earnings	1,925,284	1,661,459
	5,790,054	5,526,229
	10,217,620	8,294,363

Signed on behalf of the board.

 Director  
 Director

**C & C Yachts Limited and subsidiary companies****Consolidated statements of earnings and retained earnings  
for the year ended September 30, 1975**

STATEMENT OF EARNINGS	1975	1974
Sales	\$12,966,114	\$11,752,740
Cost of sales	10,375,344	9,280,029
Gross profit	2,590,770	2,472,711
Selling and administrative expenses	1,768,599	1,184,719
Interest expense—short term debt	139,859	85,375
—long term debt	20,687	40,671
	1,929,145	1,310,765
Income before taxes	661,625	1,161,946
Provision for income taxes	283,800	505,100
Net earnings for the year	377,825	656,846
Earnings per share based on the shares outstanding at September 30, 1975	40 cents	69 cents

**STATEMENT OF RETAINED EARNINGS**

Balance—beginning of year	\$1,661,459	\$1,099,613
Net earnings for the year	377,825	656,846
	2,039,284	1,756,459
Dividend	114,000	95,000
Balance—end of year	1,925,284	1,661,459



# Consolidated statement of changes in financial position for the year ended September 30, 1975

SOURCE OF FUNDS	1975	1974
Provided from operations—		
Net earnings for the year	\$ 377,825	\$ 656,846
Items not affecting working capital—		
Depreciation and amortization	384,618	272,656
Deferred income taxes	35,000	79,400
	797,443	1,008,902
Proceeds of long term debt (note 3)	1,548,300	—
	2,345,743	1,008,902
USE OF FUNDS		
Purchase of fixed assets	1,088,702	410,308
Trust funds for plant construction	639,294	—
Increase in other assets	333,807	—
Reduction of long term debt	133,320	102,496
Dividend	114,000	95,000
	2,309,123	607,804
Increase in working capital	36,620	401,098
Working capital—beginning of year	1,203,829	802,731
Working capital—end of year	1,240,449	1,203,829

## C & C Yachts Limited and subsidiary companies

# Notes to consolidated financial statements for the year ended September 30, 1975

### 1. ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the company:

a) Principles of consolidation

The consolidated financial statements include the operations of all subsidiary companies. In consolidation, all material intercompany accounts and transactions are eliminated.

b) Foreign exchange

Assets and liabilities in foreign currencies have been translated as follows:

Current assets and liabilities at approximate year end rates; long term assets and liabilities at rates prevailing at date of transaction; income and expenses at the average rate of exchange in effect during the year.

c) Inventory valuations

Finished yachts and yachts in process have been valued at the lower of cost or net realizable value.

Raw materials and supplies have been valued at the lower of cost or replacement cost with cost determined on the first-in, first-out basis.

d) Depreciation and amortization

The policy of the company is to amortize the cost of its buildings, machinery and equipment over their estimated useful lives by annual charges to operations using the reducing balance method at the following rates:

Buildings	5 percent
Machinery and equipment	20 percent
Automotive equipment	30 percent

No depreciation is charged on construction in progress.

Mould costs are being amortized to operations over the estimated marketing life of the model on a straight line basis.

e) Research and development

The policy of the company is to charge research and development expenditures to income as incurred.

f) Deferred expenses

The company is deferring costs related to financing and start up of its plant in Rhode Island. Financing costs will be amortized over the life of the loan. Start up costs will be written off over the first 18 months of production, expected to commence in January, 1976.

### 2. INVENTORIES

	1975	1974
Inventories are classified as follows:		
Finished yachts	\$ 815,935	\$ 492,840
Yachts in process	505,933	468,384
Raw materials and supplies	1,271,779	1,652,619
	2,593,647	2,613,843

### 3. RHODE ISLAND PLANT

In August, 1975, C&C Yachts Inc., a subsidiary company incorporated during the year, entered into contracts with the Rhode Island Port Authority and Economic Development Corporation whereby the Port Authority purchased land and is constructing a plant for the company at Middletown, Rhode Island. The Authority is financing the plant by the issue of U.S. \$1,500,000—8% Bonds repayable in instalments over a 20 year period. C&C Yachts Inc. has agreed to rent this facility on a net lease basis for annual payments sufficient to fully service the debt and will purchase the facility for \$1 on repayment of the debt. The company is responsible for managing design and construction of the project and is to finance all costs in excess of those provided by the Bonds. C&C Yachts Limited and C&C Yachts Manufacturing Limited have guaranteed the obligations of C&C Yachts Inc. under this agreement.

Principal repayment requirements of the Bonds over the next five years are as follows:

January 1, 1977	U.S.\$35,000
January 1, 1978	40,000
January 1, 1979	40,000
January 1, 1980	45,000

Under terms of the financing agreement, an amount equal to one year's debt service is required to be deposited with the trustee.

The Company is accounting for the transaction as a purchase of assets and issue of debt.



At September 30, 1975, the following amounts had been expended from the loan:

Land	\$ 125,477
Building construction in progress	515,072
Equipment	43,304
Financing costs deferred	61,240
	745,093

The balance of funds are held as follows:

Funds held in trust for construction of plant	639,294
Funds in trust for service of debt	163,913
Total (U.S.\$1,500,000)	1,548,300

Estimated cost to complete construction of the project is \$680,000. The balance of approximately \$40,000 will be funded by the Company from its own resources.

#### 4. FIXED ASSETS

Fixed assets and related accumulated depreciation comprise the following:

	1975		1974	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 617,193	\$ —	\$ 617,193	\$ 489,518
Buildings	1,360,283	290,127	1,070,156	1,041,009
Machinery and equipment	568,195	268,853	299,342	240,124
Moulds	493,806	184,257	309,549	336,577
Construction in progress	515,072	—	515,072	—
	3,554,549	743,237	2,811,312	2,107,228

#### 5. OTHER ASSETS

Other assets comprise the following:

Funds in trust for service of Rhode Island debt	\$ 163,913
Unamortized Rhode Island financing costs	99,248
Deferred Rhode Island start up expenses	52,357
Other	18,289
	333,807

#### 6. BANK INDEBTEDNESS

Bank indebtedness and bank loans are secured by general assignments of book debts, specific charges on certain fixed assets, and floating charge debentures over the remaining assets of the company and its Canadian subsidiary companies.

#### 7. REMUNERATION OF DIRECTORS AND OFFICERS

The following amounts are included in the statement of earnings:

	1975	1974
Remuneration paid by the company and its subsidiary companies to the directors and senior officers (as defined by The Business Corporations Act)	\$ 236,700	\$ 184,957

#### 8. SUBSEQUENT EVENTS

- A subsidiary company sold 10 acres of land on Speers Road in Oakville for approximately \$380,000 of which \$330,000 was in cash and \$50,000 in a short-term mortgage. This transaction closed on October 3, 1975 and resulted in an extraordinary gain of approximately \$150,000 after taxes.
- A subsidiary company agreed, subsequent to year end, to borrow \$1,150,000 on a five year term loan at 12<sup>3</sup>/<sub>4</sub>% interest. The company will mortgage its Canadian manufacturing facilities to secure this loan. C&C Yachts Limited has agreed to guarantee the loan.



"The result was incorporation of C&C Yachts Inc., a wholly owned U.S. subsidiary, which embarked immediately on construction of a 52,000 sq. ft. production facility in Middletown, Rhode Island, scheduled for completion in December, 1975."

